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AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

Quarterly Report #5 : Year 2, Quarter 2

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AMAP FINANCIAL SERVICES KNOWLEDGE GENERATION PROJECT

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

I. INTRODUCTION	1
 II. STATUS OF COMPONENT ACTIVITIES: QUARTER 6	3
THEME 1: INSTITUTIONAL AND INNOVATIVE MODELS FOR OUTREACH.....	6
THEME 2: MARKET RESEARCH AND NEW PRODUCT DEVELOPMENT	9
THEME 3: PUSHING THE FRONTIER – RURAL AND AGRICULTURAL FINANCE.....	9
THEME 4: IMPROVING MICROFINANCE MANAGEMENT.....	11
THEME 5: GAINING ACCESS TO CAPITAL.....	15
THEME 6: ENABLING ENVIRONMENT FOR MICROFINANCE	16
 III. PROJECT EXPENDITURES.....	1

I. INTRODUCTION

In September 2003, the Development Alternatives, Inc. (DAI) consortium was awarded one of the AMAP Financial Services Knowledge Generation task order contracts under the AMAP Microfinance IQC. The overall purpose of the project is to generate knowledge that will help move the microfinance field forward in its efforts to extend efficient, sustainable, and quality financial services to the poor. It is also expected that this new knowledge will help increase the capacity of EGAT/MD and its partner USAID missions to design and strengthen the implementation, monitoring, and evaluation of USAID-supported microfinance projects. This three-year effort will form part of an overall learning/management system that is intended to facilitate innovation and improvements to on-going projects and the development of new cutting edge activities.

DAI'S PARTNERS IN FKSG

- ACCION International
- Alternative Credit Technologies
- The SEEP Network
- IMCC
- J.E. Austin
- Ohio State University, Rural Finance Program
- Bannock Consulting
- ECI/Africa
- QED LLC

The AMAP Financial Services Knowledge Generation (FSKG) project is composed of three components:

1. Core knowledge generation component. The bulk of the effort falls into this component. Knowledge generation activities includes, but is not limited to: research, applied research, action research, technical services, conferences, seminars and other activities, all of which feed into USAID's core long term microenterprise learning agenda.
2. Short term technical services component. This component will include short term technical services and training activities specified by technical directions provided to DAI from the Office of Microenterprise Development (OMD). These short term activities will also feed the core knowledge/learning agenda, but will be based upon requests from OMD and emerge as "windows of opportunity."
3. Knowledge management/collaboration component. This component will allow each of the contractors to support knowledge generation, synthesis and cross fertilization within the financial services sector of AMAP as well as across the two other sectors, Enabling Environment and Business Development Services.

The original contract award funded Component 1 only, and totaled \$4,773,991. Components 2 and 3 were funded in February 2004, each with an additional \$300,000, bringing the current total budget to \$5,373,991. \$2,020,000 of the total has been obligated to date.

II. STATUS OF COMPONENT ACTIVITIES: QUARTER 6

A. PROJECT MANAGEMENT

Summary of Progress: The Project Management Team, composed of Project Director Colleen Green, Deputy Project Director Catherine Johnston, and Project Associate Andrew Iappini, meet weekly to coordinate project activities, including:

- Finalizing and gaining approval for subcontractor task orders;
- Finalizing and gaining approval for individuals to complete research under the project;
- Drafting, submission, review, revision and approvals for topic and sub-topic work plans;
- Managing research teams and moving research forward;
- Coordinating with USAID and other key donors engaged in similar research and applied research activities;
- Coordinating with the Knowledge Management contractor on key inputs to research formats, research branding, style and design, processes, etc.; and
- Communicating with the broader consortium about activities and updates.

The project management team completed and submitted the 2005 Annual Work Plan in early December 2004. The team is awaiting a response from the office of Microenterprise Development for work to be carried out in 2005 on the project. Project activity coordination continued on each of the topics approved in year one. A summary of current approval status for each research topic is shown in Table 1.

The project management team met with the CTO, Barry Lennon, Knowledge Manager, Stacey Young and other AMAP project managers from Chemonics and QED to discuss knowledge management and dissemination going forward. The discussion focused on ways in which AMAP research could be better targeted to the internal USAID audience and go much beyond Washington based brown bags and conferences. The group discussed a number of different ideas, including mission-to-mission exchanges, using regional conferences and EGAT officer training as a platform for sharing information and building upon them to provide special topic information sessions/seminars. The group also discussed personalized ways to reach USAID project managers.

At the end of the meeting, each consortium agreed to develop a list of the USAID projects that their organization managers, the CTO and FSNs involved in the project and contact information. This information was submitted in late March/early April to Barry and Stacey. The MD office plans to use and discuss this information at a spring retreat.

Budget Expended to Date: A total of \$191,013 have been expended for project management to date. This represents 102.3% of the total project management budget for FSKG that has been approved to date. 147.4 days of LOE were expended in the first six quarters of the project.

TABLE 1: TOPIC AND LEVEL OF EFFORT APPROVALS TO DATE

Topic	Days Approved 2004	Days Approved Contract	Status	Date Approved	Approved by	Form of Approval	Specific Activity Approved
Constraints and Potential of State Owned Retail Banks	125	250	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin under topic
Commercial Banks and MF Commercial Banks in MF MFI/Commercial Bank Linkages	120	315	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on two subtopics: Commercial Banks in Microfinance and Commercial Banks and MFI Linkages
HIV/AIDS Responsive Products	28	80	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on HIV/AIDS Responsive Products
Defining Options	99	125	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on refining and delivering the Defining Options curriculum
Financial Standards Promotion	60	60	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on Financial Standards Promotion Guide
Proving Microfinance Matters	150	150	approved	1/22/2004	Barry Lennon	Memo faxed to DAI	Work to begin on Proving Microfinance Matters
Rural and Agricultural Finance	20	360	approved	3/3/2004	Barry Lennon	Email from 3/3/2004	Work plan Development
Rural and Agricultural Finance	4	360	approved	6/9/2004	Barry Lennon/ Geoff Chalmers	Emails from 6/9/2004	Focus Note on ZATAC Investment Fund
Rural and Agricultural Finance	4	360	pending				Focus Note on Rural Livelihoods; revision of concept required before approval will be granted
Rural and Agricultural Finance	332	360	approved	10/28/2004	Barry Lennon	Email approval from 10/28/2004	Complete work as described in the Joint RAF Research Plan
Money Transfers and Remittances	35	100	approved	4/2/2004	Barry Lennon	Email approval from 4/2/2004	Work to begin on the development of a Remittances Newsletter
DCA Credit Enhancements	75	75	Approved	10/28/2004	Barry Lennon	Email approval from 10/28/2004	Work to begin on research work plan submitted August 2004
Private Debt Placements	55	55	Approved	10/28/2004	Barry Lennon	Email approval from 10/28/2004	Work plan to be revised; research to commence in 2005
The Role of Networks	75	75	approved	Activity Manager 3/19/2004, CTO 10/28/2004	Anicca Jansen, Barry Lennon	Jansen email from 3/19/2004; Lennon email approval from 10/28/2004	Work plan was revised and resubmitted; work to begin on the role of networks

Technical Instructions							
Defining Options	4.5	125	approved	10/8/2003	Barry Lennon	Technical Instruction Sent by Email	SEEP Conference- Sample of Defining Options course in October 2003
Rural and Agricultural Finance	7	7	approved	7/21/04	Lilly Villeda and Barry Lennon	Technical Instruction Sent by Email	From Component 3; to contribute review and insight into the development of the one- day BASIS Rural Finance Training Course
Financial Standards Promotion	15	15	approved	8/17/04	Barry Lennon	Technical Instruction Sent by Email	From Component 3 to provide additional LOE to complete the guide
Health and Microfinance	2	2	approved	1/28/05	Evelyn Stark, Barry Lennon	Technical Instruction Sent by Email	Approval of one day brainstorming session with the Poverty Office and Global Health plus one travel day for Michael McCord to discuss the link between health and microfinance
Project Management	145	421	approved	9/30/2003	Mercedes Eugenia, Contracts Officer	Task Order Contract	Project Management for Year One

B. COMPONENT ONE: KNOWLEDGE GENERATION

THEME 1: INSTITUTIONAL AND INNOVATIVE MODELS FOR OUTREACH

Constraints and Potential of State-Owned Retails Banks

Summary of Progress: During Quarter 2 of 2005, the team began work on two new deliverables that would complement the initial deliverables that were finished in early 2005. These deliverables are two cases studies of two state owned retail banks which remain government owned but are high performing. The first case study is the Amhara Credit and Savings Institutions (ACSI) in Ethiopia and the second is Land Bank of the Philippines.

The ACSI case study is being completed by ECIAfrica with primary contributions to the case being made by Neil Brislin. Neil, previously of MicroRate Africa, had participated in a rating evaluation of ACSI several years ago and thus, was well acquainted with the case. The case is being developed based on the MicroRate evaluation and follow up by telephone and email. A completed draft was expected in late April. However, ECI is still awaiting information from ACDI. We now expect a completed first draft late in May with the hope of finalizing it by late June.

The Land Bank case is being developed by IMCC, with primary contributions being made by Robert Vogel and Paul Casuga. Research on the case will commence in the spring. We anticipate a draft in early summer 2005.

Tony Singleton, the former CEO of National Microfinance Bank of Tanzania and a DAI employee, participated in the IDB sponsored seminar on public banks to held in Washington, DC on February 25, 2005. This forum was used to promote the current AMAP research and identify potential cases in Latin America. However, no AMAP funds were used to attend the seminar.

Finally, DAI submitted a short outline for a proposed technical note on the turn-around and privatization of state-owned retail banks with a mandate to engage in rural and microenterprise lending. The note would require approximately 11 days level of effort and would focus on some key turnaround issues including: issues related to the political influence that the state as owners wields and the impact on turning around a bank, product development, strengthening staff capacities and systems, and sequencing issues. The level of effort required to do this note matches the remaining number of days not currently programmed for the SORBs topic. The outline for the note is currently with the CTO and awaiting his comment.

Personnel Contributing to this Research: The following individuals have been approved to contribute to this research activity:

Researcher	Firm/Organization	Job Category	Level
Robin Young, Research Leader	DAI	Microenterprise Research Specialist	I
Jay Dyer,	DAI	Financial Analyst	I
Zan Northrip	DAI	Financial Analyst	I
John Gutin	DAI	Microenterprise Research Specialist	III
Robert Vogel	IMCC	Microenterprise Research Specialist	I
James Hansen	IMCC	Microenterprise Research Specialist	I
Paul Casuga	IMCC	CCN	

Gilberto Llanto	IMCC	CCN	
Cerstin Sander	Bannock Consulting	TCN	
Anju Aggarwal	Bannock Consulting	TCN	
Gerhard Coetzee	ECI/Africa	TCN	
Gerda Piprek	ECI/Africa	TCN	
Phetsile Dlamini	ECI/Africa	TCN	
Neil Brislin	ECI/Africa	TCN	

Budget Expended to Date: A total of \$86,681 have been expended for the SORBs topic through March 31, 2005. This represents 50.4% of the total SORBs budget approved to date. Of the 125 days approved (reallocated to 147.5), a total of 108 days have been billed to the SORBs research activity.

Commercial Banks and Commercial Bank/MFI Linkages

Under the topic Commercial Banks in Microfinance, two of the three subtopics have been approved. These two approved topics are Commercial Banks in Microfinance and Commercial Bank/MFI Linkage.

Commercial Banks in Microfinance

Summary of Progress: The following deliverables were finalized and posted on the microLINKS website during the second quarter of 2005. These included:

- Banking at the Base of the Pyramid: The Microfinance Primer for Commercial Banks
- Banks in Microfinance: Guidelines for Successful Partnerships
- Profitability Case Study: Hatton National Bank (Sri Lanka)
- Profitability Case Study: Credife (Ecuador)

While there has been discussion about a one day bank seminar during which some of the new AMAP research could be presented including the work on SORBs and MFI/Bank Linkages, no resolution has been made on when or if this would take place. During Quarter 3, discussions and decisions about the second phase of the case studies of Hatton National Bank in Sri Lanka and Credife will need to be made.

Personnel Contributing to this Research: The following individuals have been approved for research on this activity:

Researcher	Firm/Organization	Job Category	Level
Robin Young, Research Leader	DAI	Microenterprise Research Specialist	I
Nancy Natilson	DAI	Microenterprise Research Specialist	I
Robert Dressen	DAI	Financial Analyst	I
Lynne Curran	ACCION International	Financial Analyst	I
Deborah Drake	ACCION International	Microenterprise Research Specialist	I
Cesar Lopez	ACCION International	Microenterprise Program Administrative Specialist	I

Commercial Bank/MFI Linkages

Summary of Progress: During Quarter 2 of 2005, FIE and Promujer (primarily Promujer) raised issues with the draft version of the FIE-Promujer case study. These issues were resolved through a series of email communications with the general directors of both organizations. Specifically, a number of facts were inaccurate and needed to be corrected. Second, the suggestion that “post-linkage FIE was likely to begin offering services only through external teller windows” was softened to suggest that it *might* happen, but was not definitive. Needless to say, we made the revisions to the satisfaction of both FIE and Promujer. The case study entitled “Opening Markets through Strategic Partnerships: An Analysis of the Alliance between FIE and Promujer” was posted on microLINKS on April 21, 2005.

Going forward, new research is starting on two new linkages: the linkage of Cashpor and ICICI (among other organizations) in India and the AMEEN program linkage with three banks in Lebanon. Robin Bell of Bannock Consulting will be traveling to India in early May to complete the Cashpor case study. A draft of the case should be completed by late May/early June. The second linkage case of the AMEEN program will be completed in July by Colleen Green of DAI. The timing for this case is still to be determined. CHF has delayed our review of it do to the need to replace the Managing Director of the AMEEN program. (Mayada Baydas, the Managing Director for the past few years resigned several months ago.)

A fourth case has not yet been selected. However, the case of Uglemet in Russia is still being considered. Suggestions will be vetted with the CTO in the next quarter. Additionally, DAI would like to undertake a summary piece that would draw lessons from all of these cases. This would commence later this summer, depending on work plan approval and the approval of new days for this topic.

Personnel Contributing to this Research: The following individuals have been approved for research on this activity:

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Financial Analyst	I
Colleen Green	DAI	Microenterprise Research Specialist	I
Hillary Miller	DAI	Microenterprise Research Specialist	II
Alexis Curtis	DAI	Microenterprise Research Specialist	III
Robin Bell	Bannock Consulting	Microenterprise Research Specialist	I

Budget Expended to Date for both Commercial Bank Topics: A total of \$99,892 has been expended for both subtopics through March 31, 2005. This represents 56.8% of the total commercial banks in microfinance budget for FSKG. Of the 120 days approved for the commercial bank research, 81 days have been billed thus far.

THEME 2: MARKET RESEARCH AND NEW PRODUCT DEVELOPMENT

HIV/AIDS Responsive Products and Services

Summary of Progress: Discussions have been taking place with respect to linking this research to the dissemination of the *Defining Options* related applied research. The rationale for doing so is that this new product effort currently has very little level of effort and much more would be required to provide institutions with assistance on product development/product augmentation around HIV/AIDS. In the next few months, the remaining Defining Options trainings will be taking place. We believe the trainings have developed a pool of potential MFIs that would be willing to engage in new product development or product refinement around HIV/AIDS.

As discussed with Evelyn Stark, the Activity Manager for this topic, we would like to develop a request for proposal, distribute it to the pool of trained MFI managers in the hopes that we could provide some limited product development assistance.

The draft RFP will be developed in early May and shared with Evelyn for comment and edit. Once the Rwanda Defining Options training (scheduled for late May) and the Mozambique and Zambia trainings (mid summer) have been completed, the RFP will be tendered and the new product work can begin. At least, this is the hope!

Personnel Contributing to this Research: As currently planned, the following individuals are approved to assist with this project.

Researcher	Firm/Organization	Job Category	Level
Colleen Green, Research Leader	DAI	Microenterprise Research Specialist	I
Anita Fiori	DAI	Microenterprise Research Specialist	III
Frances Fraser	ECI	TCN	
Joan Parker	DAI	Microenterprise Research Specialist	I
Petronella Chigara	ECI	TCN	

Actual personnel may change if this project is linked to the Defining Options applied research.

Budget Expended to Date: To date, \$1,290 have been spent on desk research on innovations in product development around HIV/AIDS. This represents 3.9% of the total amount approved to date.

THEME 3: PUSHING THE FRONTIER – RURAL AND AGRICULTURAL FINANCE

Rural and Agricultural Finance

Summary of Progress: Coordination with the RAF teams at Chemonics and at USAID continued, particularly regarding the development of the RAFI Notes series. Reviews by key DAI staff were completed for RAFI Note 1 (USAID) and RAFI Note 2 (Chemonics) and the draft Moldova case study (Chemonics).

Hortifruti Case Study. Claudio Gonzalez-Vega and his research team at OSU, with the participation of Geoff Chalmers from the USAID Microenterprise Development office, finalized field research in

Honduras during the second quarter. The survey instrument was successfully implemented. The draft version of the report is currently under production, and will be sent to the RAF review team and then finalized during the third quarter.

Uganda Case Study. Planning is underway for the Uganda case study. Dick Meyer will lead the Uganda country case study with assistance from Catherine Johnston and other DAI staff. The hope is to undertake the study in early fall 2005. Initial contacts have been made with staff from the SPEED project, and background research and literature review are being conducted. Dick Meyer has added several research ideas to be considered as the framework for the case. These ideas will be discussed with the CTO, and decisions taken during the third quarter.

RAFI Note 3. DAI will produce *RAFI Note #3, The Role of Financial Institutions in Rural and Agricultural Finance*. Mary Miller has undertaken primary authorship of this technical note. A draft outline was submitted for review by the CTO in April. Final publication of the note is expected for the third quarter 2005.

Focus Note: Zatac Investment Fund. Internal review of the draft note continues. A number of key DAI staff members is involved in advising and providing input to the note, notably Bagie Sherchand, Mary Miller, and Don Humpal. This collaborative process, while contributing to a richer understanding of the issues, has also revealed that the topic will be challenging to present in a 3-4 page focus note. Discussions with USAID will be held during quarter three, and if agreement can be found on a note outline, the final product should be released in the fourth quarter.

Personnel Contributing to this Research: The following individuals have been approved to work on the rural finance work plan.

Researcher	Firm/Organization	Job Category	Level
Catherine Johnston, Research Leader	DAI	Microenterprise Research Specialist	II
Colleen Green	DAI	Microenterprise Research Specialist	I
Hillary Miller Wise	DAI	Microenterprise Research Specialist	II
Zan Northrip	DAI	Financial Analyst	I
Jenny Pan	DAI	Microenterprise Research Specialist	II
Claudio Gonzalez-Vega	OSU	Microenterprise Research Specialist	I
Jorge Rodriguez-Meza	OSU	Microenterprise Research Specialist	III
Sarah Lowder	OSU	Microenterprise Research Specialist	III
Rodolfo Quiros	OSU	CCN	
Alejandro Canadas	OSU	Microenterprise Research Specialist	III

Budget Expended to Date: A total of \$20,420 has been expended to date through March 31, 2005 on the rural and agricultural finance research topic. This represents 5.3% of the total RAF Budget approved. Of the 360 days approved, 27 days have been billed to this activity to date.

Disseminating the Defining Options Curriculum

Summary of Progress: The final version of the *Defining Options* training materials (facilitator and participant manual and after care tool) was posted on microLINKS on February 23, 2005. The materials were not updated with the new USAID branding standards because they were considered final before the new branding standards went into effect.

Grace Sabegeni and Edward Kiyaga, two of the AMAP trainers, gave the *Defining Options* course in Nairobi, Kenya from January 10-12, 2005 in conjunction with the Kenyan microfinance association, AMFI, and the DAI KEMCAP project. Although the feedback on the training was positive, there were fewer participants that attended than had signed up. Only 13 of the 22 sign-ups attended. In addition, many of the participants were NOT senior managers from MFIs and thus, were not the correct audience for the course. This was a big disappointment for us, and something we are paying much closer attention to in upcoming courses. Although it is worthwhile to work in conjunction with the local networks to organize logistics and contact potential participants, we realized we (DAI and ECIAfrica) need to be intimately involved in the selection of participants. Otherwise, the chance that participants will actually implement what they learned is lost. The training summary report for this course was sent to the USAID Activity Manager and CTO.

Since the Kenya training, Petronella Chigara began collecting the first cut of data from participants of the Ethiopia training using the training impact monitoring tool she developed. This tool will help us measure the extent to which the training and the limited aftercare to institutions has been helpful in getting institutions to make internal changes to address the economic and staff impact of the AIDS crisis. The tool will measure the progress of institutions six months and one year after completing the training. Findings will be included in the final report for the project. Thus far, collecting data from Ethiopia has proved difficult and the results have been inconclusive. We hope to have more to report in the coming months.

In February, Grace Sabegeni approached us about offering the course in Rwanda, jointly financed with World Relief. USAID/Rwanda is excited about the opportunity, as well as other local organizations. The course is currently planned for May 30 – June 2. Grace will offer the course jointly with Olive Kabatalya, one of the other AMAP trainers. We currently anticipate 21 participants to attend. In preparation for the course, the materials are being translated into French, although the course will be offered in English. We estimate that half of the participants will be interested in the French language materials and believe they will be useful to take back to their institutions as reference materials.

In addition to Rwanda, discussions have been underway to hold the course in other locations as well. Travis Wilson, one of the participants at the South Africa TOT, put us in contact with the Mozambique Microfinance Facility (MMF), a CIDA-funded project. MMF is interested in holding the course in Mozambique. We agreed with them to allow three trainers from Mozambique to attend the training in Rwanda in an effort to learn the course materials. MMF is financing their participation. Then in either July or September, the course will be offered in conjunction with an AMAP trainer in Maputo, Mozambique. This course will be partly financed by FSKG and partly by MMF. We are still discussing with MMF the possibility that they pay for the translation of the materials into Portuguese. These types of cost sharing arrangement will ultimately allow us to do more trainings and spread the knowledge of the course further, so we've been pleasantly surprised by the response.

Colleen Green also approached the Tanzanian Association of Microfinance Institutions (TAMFI) about holding a course in Tanzania. Although the board was interested in the concept and seemed interested in the possibility of sending trainers to Rwanda, its leadership has not followed up since the initial meeting and a series of subsequent email communications. TAMFI is currently without permanent staff, and thus, would have difficulty in providing logistics if the course was offered in Tanzania. For these reasons, it may not be a prime choice for us to offer the course.

David Musona, one of the AMAP trainers, also approached us about holding the training in Zambia in conjunction with the Association of Microfinance Institutions of Zambia (AMIZ). This possibility is still being discussed and could potentially be planned for as early as July.

Finally, Tigist Tesfaye, the training coordinator for AEMFI in Ethiopia, approached us about attending the Rwanda training so as to learn how to train using the *Defining Options* curriculum. We have agreed to partially finance her participation in exchange for help from her in assisting us to work with and obtain information from the Ethiopian microfinance institutions.

Because the Rwanda course was initially planned as a training (not a training of trainers), but now a number of participants are coming with the intent of learning how to train using the materials, Frances Fraser of ECIAfrica will be attending the course to provide the TOT element for this group. Between the cost savings on Rwanda and planned savings on Mozambique, this offers a unique and inexpensive way to get more Africa-based trainers trained on the materials.

Personnel Contributing to this Research: The following individuals have been submitted for approval to work on this research topic.

Researcher	Firm/Organization	Job Category	Level
Colleen Green, Research Leader	DAI	Microenterprise Research Specialist	I
Mary Miller	DAI	Microenterprise Research Specialist	I
Jenny Pan	DAI	Microenterprise Research Specialist	III
Frances Fraser	ECI	TCN	
Petronella Chigara	ECI	TCN	

In addition, the four trainers who will be conducting the AMAP trainers are: Grace Sabageni, David Musona, Olive Kabatalya and Edward Kiyaga. These individuals are being hired under professional services contracts by ECI, and thus do not impact the project's limited level of effort.

Budget Expended to Date: A total of \$154,725 have been expended through March 31, 2005. This represents 92.1% of the total funding approved for this project. Of the 99 days approved for this topic, 90 days have been billed to the project in the first six quarters of the project.

Remittances and Money Transfers

Summary of Progress: A significant change was made in the sponsorship of the Migrant Remittances newsletter. The editor, Cerstin Sander, previously of Bannock Consulting, became a DFID employee in December 2004. A series of discussions among USAID, DFID, and DAI led to an agreement for joint sponsorship of the newsletter by USAID ME office and DFID. Cerstin Sander continued as editor, with Maria Jaramillo of ACCION contributing as Research Specialist and Vicky Seymour (DFID) and Rob Vickers/Sarah Berghorst (DAI) working as Research Assistants.

The third issue of the newsletter was released in April 2005. It was distributed to the subscriber list, currently at 364 subscribers, and posted on the microLINKS website. The theme was “Improving Access to Remittances through Technologies”. Articles included an editorial overview of the major issues, and articles on mobile phones, stored value cards, open platform backbone technology, the SWIFT system, and the use of the internet for remittances. The newsletter also continued with the information dissemination sections established in the first edition:

- Initiatives
- Information/Links
- New Publications or References

Topics for the next two issues of the newsletter are currently under review by the Remittances Team at USAID, and key personnel at DFID. The next issue of Migrant Remittances is planned for July 2005.

Personnel Contributing to this Research: Note: Rob Vickers of DAI was approved earlier this year to contribute to the remittances newsletter. However, as of late March 2005, he is no longer working with DAI.

Researcher	Firm/Organization	Job Category	Level
Cerstin Sander, Research Leader	Bannock Consulting	TCN	
Anju Aggarwal	Bannock Consulting	TCN	
Enrique Mendizabal	Bannock Consulting	TCN	
Maria Jaramillo	ACCION International	Microenterprise Research Specialist	II
Rob Vickers	DAI	Microenterprise Research Specialist	III
Sarah Berghorst	DAI	Microenterprise Research Specialist	III

Budget Expended to Date: A total of \$10,904 have been billed to this topic. We are still awaiting outstanding invoices from Bannock. A total of 15 days has been billed to this topic.

Promotion of Financial Standards

Summary of Progress: A final draft of *Measuring Performance of Microfinance Institutions: A Framework for Reporting, Analysis and Monitoring* has been reviewed by the broad microfinance community. ACT and SEEP have coordinated the receipt of all comments, and their review by the Financial Standards Working Group at SEEP. In addition, an in-depth review has been completed by members of the FSWG to provide comments on the *Framework* in relation to International Accounting Standards. ACT has made all necessary revisions, and submitted the final version to the copy editor. Publication of the final document is anticipated for May 2005.

A no-cost extension letter was sent by the Technical Advisor to ACT, Inc. to extend the end date of their subcontract to June 30, 2005. ACT has billed 100% of their LOE, but minor ODC expenses remain and the final document was not received from the copy editor before the original contract end date of March 31, 2005.

SEEP has received offers from network members to translate the document into Spanish and Russian, at no cost to USAID. They are pursuing methods to have the document translated into French. In

addition, SEEP has begun to prepare the trainer's manual and course materials. Training courses will be held in quarters three and four of 2005.

Follow-up on Work Plan. The research team requested supplementary funding for the following three activities in the 2005 work plan:

- Developing a training and management tool
- Supporting the Microfinance Standards Committee
- Supporting additional standards promotion activities.

These activities were discussed with John Berry and Barry Lennon with the following results:

- Developing a training and management tool. This request was resolved outside of the AMAP FSKG task order. A collaboration between SEEP and CRS will produce and disseminate this tool.
- Supporting the Microfinance Standards Committee. No additional support will be provided through AMAP FSKG.
- Supporting additional standards promotion activities. No additional funding was made available under Component One (Core Research). However, DAI received approval to use resources from Component Three (Knowledge Management) to modify the SEEP contract. The additional funding will be used to create a standardized set of presentation materials for volunteer trainers/presenters at a wide variety of industry conferences, seminars, etc. during 2005 and beyond. Funding was also approved to send two members of the FSWG to the MFC Conference in May to field test the materials and make final revisions.

Personnel Contributing to this Research: We have received approval for all personnel working on this topic:

Researcher	Firm/Organization	Job Category	Level
Till Bruett	ACT	Microenterprise Research Specialist	I
Dana Dekanter	SEEP Network	Microenterprise Research Specialist	I
Sharyn Tenn	SEEP Network	Microenterprise Research Specialist	II

In addition, members of the SEEP Financial Services Working Group are currently providing volunteer time to the activity.

Budget Expended to Date: A total of \$45,709 have been expended on this topic as of March 31, 2005. This represents 41.5% of the topic level of effort approved. In addition, ACT has expended 15 days level of effort under Component 3.

THEME 5: GAINING ACCESS TO CAPITAL

Private Debt Placements

Summary of Progress: As discussed with USAID upon submission of the original work plan, the major emphasis of this work was scheduled to begin in Year Two of the Task Order. A “kick off” meeting was held with key personnel at DAI to review research goals and establish a work plan.

A draft work plan was produced, which outlines the following schedule:

- Complete investor typology – August 2005
- Develop prototype market assessment tool – September 2005
- Conduct field interviews through November 2005
- Complete technical note – November 2005
- Finalize assessment tool – December 2005

Desk research to develop an investor typology began in quarter two. A global search for relevant examples of private debt placements is in process. The compilation and organization of this information is the first deliverable under the research plan. This plan has been vetted with the CTO, but further discussions will need to ensue in Quarter 3. Additionally, DAI is collaborating closely with Chemonics to ensure that this does not duplicate or overlap their Access to Capital Research.

Personnel Contributing to this Research: The following individuals have been approved to contribute to this research.

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Financial Analyst	I
Robert Dressen	DAI	Financial Analyst	I
Carlos Abreu	DAI	Financial Analyst	II
Till Bruett	SEEP Network	Financial Analyst	I
Andrew Ippini	DAI	Microenterprise Research Specialist	III

Budget Expended to Date: To date, only \$905 have been expended and only 1 day level of effort..

DCA Credit Enhancements

Summary of Progress: After collecting data from action packages and the Office of Development Credit's Credit Monitoring System (CMS), the DAI Team completed a comprehensive review of all active microfinance, SME, and agriculture DCA guarantees. Information on targeted sectors and deal objectives was collected from action memoranda and presented for nearly all deals. A draft of the information was presented to Barry Lennon and Yvette Dennis on Wednesday, February 23rd. After incorporating USAID feedback, a final draft of the review was delivered to Barry Lennon on Monday, March 7th. Presently, the DAI Team is awaiting further feedback from USAID.

Personnel Contributing to this Research: The following individuals are expected to contribute to the research.

Researcher	Firm/Organization	Job Category	Level
Mary Miller, Research Leader	DAI	Microenterprise Research Specialist	I
John Jepsen	DAI	Microenterprise Research Specialist	II
Carlos Abreu	DAI	Microenterprise Research Specialist	II
Andrew Iappini	DAI	Microenterprise Research Specialist	III

Budget Expended to Date: A total of \$10,987 has been expended through March 31, 2005 towards the completion of the work plan. This represents 11.3 % of the total approved for this topic. Of the 75 days approved, 16.75 days have been expended.

THEME 6: ENABLING ENVIRONMENT FOR MICROFINANCE

Proving Microfinance Matters

Summary of Progress: Limited progress has been made on this topic this quarter. Don Snodgrass was approved to do some upfront research on the types of macroeconomic data that would need to be gathered in order to collect data in key countries to support our research hypotheses in the four areas. Those hypotheses are:

- Microfinance can help reduce the benchmark interest rates through financial sector deepening achieved by large scale small (microfinance) deposits;
- Microfinance can provide relief from credit crunches by continuing to lend during general economic contractions;
- Microfinance can increase the resilience of the financial sector to shocks through the superior stability of deposits in microfinance-oriented institutions; and
- Microfinance can increase consumption through consumer loans, thereby stimulating economic growth during expansion phases and smoothing consumption during recessions.

The initial feedback from Don needs further work. Once this has been finalized, then we will need to work with the Activity Manager, Anicca Jansen and the CTO to determine the appropriate case studies.

Personnel Contributing to this Research: The following individuals have been submitted for approval to work on this topic. We have received approvals, except for Lily Zandiapour.

Researcher	Firm/Organization	Job Category	Level
Zan Northrip, Research Leader	DAI	Financial Analyst	I
Jorge Rodriguez-Meza	OSU	Microenterprise Research Specialist	II
Claudio Gonzalez- Vega	OSU	Microenterprise Research Specialist	I
Lily Zandiapour	QED	Microenterprise Research Specialist	I
Pat Vondal	QED	Microenterprise Research	I

		Specialist	
Ulrich (Rick) Ernst	DAI	Financial Analyst	I
Don Snodgrass	DAI	Microenterprise Research Specialist	I
TBD	DAI/SEEP/OSU	Microenterprise Research Specialist	I, III, I

Budget Expended to Date: A total of \$2,633 have been expended on this research topic. We are awaiting an invoice from Ohio State University, which would reflect additional time spent on this topic. This amount represents 1.4% of the total approved budget and only 2.1 days of level of effort.

Network Research

Summary of Progress: During the second quarter of 2005, the research team analyzed data collected during the Global Network Summit at SEEP's Annual General Meeting in October, which reflected these networks' experiences in the areas of: policy advocacy, service delivery, financial sustainability, and network impact and performance assessment.

Research continued on the experiences of US-based financial services associations. This research included gathering information on: their services, such as policy advocacy; their level of member participation; their governance structures; their approaches to strategic planning and financial sustainability; and their human resource capacity.

The research team coordinated with DAI and the USAID theme leader to make final decisions on network case study topics. The following case studies were selected, and distributed widely at the ME office for additional suggestions.

- AMFIU Uganda
- AEMFI Ethiopia
- MEA South Africa
- ALAFIA Benin
- MFC Eastern Europe
- REDIMIF Guatemala
- RFR Ecuador
- COPEME Peru
- MCPI Philippines
- PMN Pakistan

No additional suggestions were made.

Lastly, during this quarter a draft outline of the technical guide on network institutional strengthening strategies is undergoing internal review at SEEP and will be submitted to DAI and the USAID theme leader in the third quarter 2005.

SEEP and DAI scheduled an afternoon presentation and discussion of the network research with Anicca Jansen, the activity manager, to ensure that contract deliverables were being met to the client's satisfaction and to ensure that research plans going forward had the approval of USAID. During the session on March 16, SEEP received excellent feedback and a useful discussion was continued throughout. Ms. Jansen sent out a summary of the presentation along with the presentation slides to all interested parties in the ME office.

In the third quarter 2005 additional data will be collected via structured questionnaires customized for case study networks, on-site focus group discussions and a week-long, multi-network electronic discussion. The draft guide will also be presented at the AFMIN conference and to the SEEP member networks during the third quarter for feedback.

Expected delivery dates for deliverables are:

- Technical Guide: Draft due on June 15, 2005. Final due on Aug. 31, 2005
- Technical Note: Draft due on Aug. 31, 2005. Final due date to be determined by feedback given on draft.

Personnel Contributing to this Research: The following individuals have been approved to carry out the research under this topic.

Researcher	Firm/Organization	Job Category	Level
Sharyn Tenn	SEEP Network	Microenterprise Research Specialist	II
Patrick McAllister	SEEP Network	Microenterprise Legal and Regulatory Specialist	II

Budget Expended to Date: To date, \$12,749 has been expended through March 31, 2005, representing 15.4% of the total budget. Of the 75 days approved for this topic, 7 days have been billed thus far to this research activity.

Component 2 and 3

A technical instruction was issued under Component 3 that allowed DAI staff to bill 7 days level of effort to review and contribute to a one-day rural finance training course that was developed by the BASIS project and given in mid October at the Economic Growth Officers training. This time has not yet been billed to USAID.

A second technical instruction was issued under Component 3 to give Alternative Credit Technologies additional time to complete the draft Measuring Performance of Microfinance Institutions: A Framework for Reporting, Analysis and Monitoring. Of this time, all 15 days have been billed.

A third technical instruction was issued under Component 3 in Quarter 2 of 2005. This instruction allowed for Michael McCord to participate in a one day brainstorming session with the Office of Poverty Reduction and Social Safety Nets and the Office of Global Health to look at the link between healthcare, quality of healthcare and finance, specifically insurance. The discussions, which took place at the meeting on February 8 were of great interest to the group and the hope was to be able to develop a joint research strategy to look at this issue. The intent is to earmark some funds from Component 2 for this research. Further discussions about this are likely to take place in Quarter 3 of 2005.

Budget Expended to Date: There have been no invoices submitted to date against either technical instruction.

III. PROJECT EXPENDITURES

The total project expenditures for Quarter 6 are provided in the following pages. Project expenditures are broken out by Labor and Other Direct Costs (ODCs). A total of \$670,272 has been expended in the first six quarters of this project. This represents 38% of the total work approved to date.

Development Alternatives Inc.

Quarterly Financial and Level of Effort Tracker

AMAP Financial Services Knowledge Generation Project

Contract No: GEG-I-01-02-00011

Quarter 6: January 1, 2005 through March 31, 2005 (Currently as of 3/31/05)

Obligated Funds: \$2,020,000

Description	Budget				Approved To Date				% Not Yet Approved	Expended this Quarter				Total Expended to Date				% Remaining c
	Labor	LOE	ODC/G&A	Total	Labor	LOE	ODC/G&A	Total		Labor	LOE	ODC/G&A	Total	Labor	LOE	ODC/G&A	Total	
Project Management	\$ 468,041	421	\$ 81,706	\$ 549,747	\$ 163,658	145	\$ 23,060	\$ 186,718	66%	\$ 20,567	17.8	\$ 130	\$ 20,697	\$ 189,172	147.4	\$ 1,841	\$ 191,013	-2.3%
Subtotal Project Management	\$ 468,041	421	\$ 81,706	\$ 550,168	\$ 163,658	145	\$ 23,060	\$ 186,718	66%	\$ 20,567	17.8	\$ 130	\$ 20,697	\$ 189,172	147.4	\$ 1,841	\$ 191,013	-2.3%
Component 1																		
Theme 1: Institutional and Innovative Models for Outreach																		
112 Constraints and Potential of State Owned Retail Banks	\$ 268,720	250	\$ 69,830	\$ 338,550	\$ 133,124	125	\$ 39,381	\$ 172,505	49%	\$ 21,441	40.6	\$ 1,329	\$ 22,770	\$ 83,979	108.2	\$ 2,881	\$ 86,861	49.6%
113 Commercial Banks and Commercial Bank-MFI Linkages	\$ 317,854	315	\$ 73,217	\$ 391,071	\$ 121,760	120	\$ 54,222	\$ 175,982	55%	\$ 14,996	13.3	\$ 8,328	\$ 23,324	\$ 86,743	80.7	\$ 13,150	\$ 99,892	43.2%
114 Partnering with Commercial Banks for Housing Finance	\$ 95,231	100	\$ 5,052	\$ 100,283	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
115 Non-Financial Retail Strategies	\$ 73,761	120	\$ 25,768	\$ 99,529	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
Subtotal Theme 1	\$ 755,566	785	\$ 173,867	\$ 929,433	\$ 254,884	245	\$ 93,603	\$ 348,487	63%	\$ 36,437	53.9	\$ 9,657	\$ 46,094	\$ 170,722	188.9	\$ 16,031	\$ 186,753	46.4%
Theme 2: Market Research and New Product Development																		
121 Housing Products	\$ 184,763	300	\$ 29,002	\$ 213,765	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
122 Other Non-Traditional Modes	\$ 162,645	150	\$ 31,888	\$ 194,533	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
123 HIV/AIDS Responsive Products	\$ 85,574	80	\$ 30,210	\$ 115,784	\$ 26,147	28	\$ 7,104.00	\$ 33,251	71%	\$ -	5.6	\$ -	\$ -	\$ 1,290	11.3	\$ -	\$ 1,290	96.1%
Subtotal Theme 2	\$ 432,982	530	\$ 91,100	\$ 524,082	\$ 26,147	28	\$ 7,104	\$ 33,251	94%	\$ -	5.6	\$ -	\$ -	\$ 1,290	11.3	\$ -	\$ 1,290	96.1%
Theme 3: Pushing the Frontier - Rural/Agricultural Finance and Value Chains																		
131 Rural and Agricultural Finance	\$ 309,590	360	\$ 73,019	\$ 382,609	\$ 309,590	360	\$ 73,019	\$ 382,609	0%	\$ 81	0.8	\$ 20	\$ 101	\$ 19,107	27.1	\$ 1,314	\$ 20,420	94.7%
Subtotal Theme 3	\$ 309,590	360	\$ 73,019	\$ 382,609	\$ 309,590	360	\$ 73,019	\$ 382,609	0%	\$ 81	0.8	\$ 20	\$ 101	\$ 19,107	27.1	\$ 1,314	\$ 20,420	94.7%
Theme 4: Improving MF Management																		
141 MFI Guide to Technology	\$ 252,051	250	\$ 66,454	\$ 318,505	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
142 Disseminating Defining Options	\$ 125,387	125	\$ 94,629	\$ 220,016	\$ 86,019	99	\$ 82,049	\$ 168,068	24%	\$ 8,239	24.4	\$ 28,167	\$ 36,406	\$ 80,521	89.6	\$ 74,204	\$ 154,725	7.9%
143 Performance Indicators for Savings/Back Office	\$ 106,499	175	\$ 9,517	\$ 116,016	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
144 Money Transfers and Remittances	\$ 83,787	100	\$ 33,861	\$ 117,648	\$ 24,477	35	\$ 32,919	\$ 57,396	51%	\$ 10,426	14.9	\$ 79	\$ 10,504	\$ 10,825	15.5	\$ 79	\$ 10,904	81.0%
145 The Missing Middle: Training for Middle Managers	\$ 150,563	150	\$ 49,808	\$ 200,371	\$ 6,006	0	\$ -	\$ 6,006	97%	\$ -	0.0	\$ -	\$ -	\$ 6,006	5.0	\$ -	\$ 6,006	0.0%
146 Credit Scoring Models for Microfinance	\$ 87,452	126	\$ 24,032	\$ 111,484	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
147 Financial Standards Promotion	\$ 66,813	60	\$ 43,378	\$ 110,191	\$ 66,813	60	\$ 43,378	\$ 110,191	0%	\$ -	0.0	\$ 9,358	\$ 9,358	\$ 35,588	29.6	\$ 10,121	\$ 45,709	58.5%
148 Risk Management Series	\$ 108,013	100	\$ 3,032	\$ 111,045	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
Subtotal Theme 4	\$ 980,565	1086	\$ 324,711	\$ 1,305,276	\$ 183,315	194	\$ 158,346	\$ 341,661	74%	\$ 18,665	39.3	\$ 37,604	\$ 56,269	\$ 132,940	139.6	\$ 84,404	\$ 217,344	36.4%
Theme 5: Gaining Access To Capital																		
151 Private Debt Placements	\$ 67,944	55	\$ 2,166	\$ 70,110	\$ 67,944	55	\$ 2,166	\$ 70,110	0%	\$ 905	1.0	\$ -	\$ 905	\$ 905	1.0	\$ -	\$ 905	98.7%
152 DCA Credit Enhancements	\$ 70,124	75	\$ 27,124	\$ 97,249	\$ 70,124	75	\$ 27,124	\$ 97,249	0%	\$ 6,212	11.6	\$ -	\$ 6,212	\$ 10,987	16.8	\$ -	\$ 10,987	88.7%
Subtotal Theme 5	\$ 138,068	130	\$ 29,290	\$ 167,358	\$ 138,068	130	\$ 29,290	\$ 167,358	0%	\$ 7,116	12.6	\$ -	\$ 7,116	\$ 11,892	17.8	\$ -	\$ 11,892	92.9%
Theme 6: Enabling Environment for Microfinance and the Market Infrastructure																		
161 Developing Private Credit Bureaus for MF	\$ 38,141	45	\$ 15,854	\$ 53,995	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
162 Specialized Microfinance Laws and Frameworks	\$ 239,111	200	\$ 71,325	\$ 310,436	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
163 Bank Secrecy Laws	\$ 28,080	30	\$ 10,201	\$ 38,281	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
164 Networks Research	\$ 63,071	75	\$ 1,574	\$ 64,645	\$ 70,664	75	\$ 24,406	\$ 95,070	47%	\$ 4,145	4.9	\$ 2,111	\$ 6,257	\$ 5,846	6.9	\$ 6,903	\$ 12,749	86.6%
165 Proving Microfinance Matters	\$ 163,684	150	\$ 21,856	\$ 185,540	\$ 163,684	150	\$ 21,856	\$ 185,540	0%	\$ 1,077	0.9	\$ -	\$ 1,077	\$ 3,702	3.0	\$ 8	\$ 3,709	98.0%
166 Risk Based Supervision	\$ 169,231	140	\$ 32,893	\$ 202,124	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
167 Standardized Accounting and Disclosure Regimes	\$ 48,052	40	\$ 12,418	\$ 60,470	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
Subtotal Theme 6	\$ 749,370	680	\$ 166,121	\$ 915,491	\$ 234,348	225	\$ 46,262	\$ 280,610	69%	\$ 5,222	5.8	\$ 2,111	\$ 7,333	\$ 9,548	9.9	\$ 6,910	\$ 16,458	94.1%
170				\$ 300,000	\$ -	0	\$ -	\$ -	100%	\$ -	0.0	\$ -	\$ -	\$ -	0.0	\$ -	\$ -	
190				\$ 300,000	\$ 24,944	0	\$ -	\$ 24,944		\$ 7,083	6.2	\$ -	\$ 7,083	\$ 25,102	21.2	\$ -	\$ 25,102	-0.6%
PROJECT TOTAL	\$ 3,366,141	3992	\$ 939,814	\$ 5,374,417	\$ 1,334,954	1182	\$ 430,684	\$ 1,765,638	67%	\$ 95,171	142.0	\$ 49,523	\$ 144,694	\$ 559,771	563.2	\$ 110,501	\$ 670,272	62.0%